



## Insurance Institute of Michigan

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March 4, 2010

The Honorable Members of the House Insurance Committee  
House of Representatives  
Lansing, MI 48909

On behalf of the members of the Insurance Institute of Michigan (IIM), we write to express our strong support for House Bill 5297 which adopts the National Conference of Insurance Legislators (NCOIL) model legislation governing the use of credit-based insurance scoring in the rating of home and automobile insurance.

As described in the enclosed materials from the Property and Casualty Insurers Association of America, nearly every single state in the country permits the use of credit-based insurance scoring through existing statute or regulation. Of those states, 26 have adopted specific provisions based upon the NCOIL model legislation, as is proposed in House Bill 5297.

We have also enclosed an extensive list of studies on the use of credit-based insurance scoring including a 2007 U.S. Federal Trade Commission Report to Congress which found that insurance scores are in fact predictive of insurance risk and they have little effect as a "proxy" for membership in racial and ethnic groups.

A more recent 2009 study from St. Ambrose University in Iowa found that while the use of credit-based insurance scores is widely misunderstood by the public, there is no evidence to suggest that the minority population of Iowa is disproportionately subjected to adverse actions based on its use.

The use of credit-based insurance scoring has been permitted in Michigan since the mid-1990s. Efforts to ban its use would force the majority of low risk policyholders to pay more for their home and auto insurance to subsidize high-risk policyholders.

In light of the above, **IIM would respectfully request that you support House Bill 5297.**

Thank you in advance for your attention to this matter. Please let us know if you have any questions or comments.

Sincerely,

Peter A. Kuhnmuensch  
Executive Director

Dyck E. Van Koevering  
General Counsel